

HON. RON PAUL OF TEXAS BEFORE THE US HOUSE OF REPRESENTATIVES July 26, 2005

Statement on HR 3283, the United States Trade Rights Enforcement Act

Mr. Speaker: I rise in strong opposition to this legislation. Isn't it ironic that the proponents of "free trade agreements" like CAFTA are lining up squarely behind a bill like this that threatens a trade war with China, and at the least calls for the United States to initiate protectionist measures such as punitive tariffs against "subsidized" sectors of the Chinese economy? In reality, this bill, which appeared out of the blue on the House Floor as a suspension bill, is part of a deal made with several Members in return for a few votes on CAFTA. That is why it is ironic: to get to "free trade" with Central America we first need to pass protectionist legislation regarding China.

Mr. Speaker, in addition to the irony of the protectionist flavor of this bill, let me say that we should be careful what we demand of the Chinese government. Take the demand that the government "revalue" its currency, for example. First, there is sufficient precedent to suggest that doing this would have very little effect on China's trade surplus with the United States. As *Baron's* magazine pointed out recently, "the Japanese yen's value has more than tripled since the breakdown of the Bretton Woods system, yet Japan's trade surplus remains huge. Why should the unpegging of the Chinese yuan have any greater impact?"

As was pointed out in the *Wall Street Journal* recently, with the yuan tied to several foreign currencies and the value of the dollar dropping, China could be less inclined to purchase dollars as a way of keeping the yuan down. Fewer Treasury bond purchases by China, in turn, would drive bond prices down and boost yields--which, subsequently, would cause borrowing costs for residential and some corporate customers to increase. Does anyone want to guess what a sudden burst of the real estate bubble might mean for the shaky US economy? This is not an argument for the *status quo*, however, but rather an observation that there are often unforeseen consequences when we demand that foreign governments manipulate their currency to US "advantage."

At the very least, American consumers will immediately feel the strengthening of the yuan in the

form of higher US retail prices. This will disproportionately affect Americans of lower incomes and, as a consequence, slow the economy and increase the hardship of those struggling to get by. Is this why our constituents have sent us here?

In conclusion, I strongly oppose this ill-considered and potentially destructive bill, and I hope my colleagues will join me in rejecting it.